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TEXT OF REMARKS OF THE PRESIDENT
TO THE
NATIONAL ASSOCIATION OF MANUFACTURERS

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March 18, 1982

I'm especially delighted to be here today. It's not just that I've had the privilege -- many times during the past few decades -- of addressing N.A.M. audiences. I also have vivid recollections of the 1950's and 1960's when you were one of the few business groups speaking out forcefully against America's disastrous drift towards bigger and bigger government. For many years, your Washington representatives led a lonely challenge against the policies of tax and tax, spend and spend that were once the watchwords of Washington wisdom, passwords to success in the Nation's Capital.

We've come a long way together since those days. It's all changed now with the speed of a Feller fastball or a Reggie Jackson homer.

Today in Washington the talk is of the danger of federal spending, deficit financing, and bureaucratic intrusion. The nightly news, the newspapers and journals, are filled with stories and articles about the price we have paid for our years of budget-busting extravagance.

And what extravagance it was. In the last 10 years, federal spending tripled; in the last five years tax revenues more than doubled. Today, the national debt stands at over \$1 trillion -- we're now paying more than \$100 billion in interest on that debt. That's more than the whole federal budget just 20 years ago.

The statistics tell a grim story. Between 1976 and 1980, inflation more than doubled; the prime rate went up 220 percent. As we prepared to take office a little more than a year ago, the prime stood at an astounding 21.5 percent.

Investment, savings and productivity were drying up, and it wasn't long before the recession -- that freight train from the marshalling yards of liberal economics -- hit us full force. Business confidence declined and unemployment headed right for the roof.

Even those statistics don't tell the whole story -- the human price we've paid: farmers facing foreclosures; businessmen staring at bankruptcy; ironworkers in Steubenville and autoworkers in Detroit and black teenagers in Newark standing in unemployment lines; manufacturers and entrepreneurs like yourselves, whose drive, initiative and confidence had transformed America into an economic giant, now facing growing frustration and helplessness in the wake of a shrinking economy and hostile business climate.

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These have been hard and costly lessons, but perhaps at last we have learned what you in the National Association of Manufacturers were saying many years ago: That you can't drink yourself sober or spend yourself rich, that you can't prime the pump without pumping the prime, that you can't give government all the running room it asks for without stampeding the money supply and running up inflation and unemployment.

Our Administration has been reminding the American people that the economic mess we inherited last year -- and the recession we're in now -- is the legacy of years of misguided policy.

But we intend to do more than just point to the mistakes of the past.

You know, I sometimes find myself remembering a story they tell about that great baseball manager Frankie Frisch. One day he sent a rookie out to play centerfield. The rookie dropped the first fly ball that was hit to him, let a grounder go between his feet, and when he did get his hands on the ball, threw it to the wrong base. Frankie stormed out of the dugout, grabbed his glove and said, "I'll show you how to play this position." The next batter slammed a line drive right over second base. Frankie came in on it, missed it completely, and fell down when he tried to chase it. He threw down his glove, and yelled at the rookie, "You've got centerfield so fouled up, nobody can play it."

Well, we inherited many mistakes by others -- but we're not going to just bemoan the past. We think we've put together an imaginative, aggressive program for economic recovery.

It has already cut the rate of growth in federal spending nearly in half and cut taxes for individuals and business by over \$300 billion. We have indexed taxes to the rate of inflation taking away government's hidden incentive to inflate the currency and cut the stifling increase in new federal regulations by a third.

In spite of this, our proposals weren't even enacted into law before certain voices -- the same voices that in the past had recommended the easy solutions of tax and tax, spend and spend -- came up with more easy solutions.

Rather than come to grips with the problem of excessive federal spending, they urged us to once again make government bigger by increasing its revenue. There were suggestions that we rescind individual tax cuts or eliminate that truly historic reform of tax indexing.

Now let me be the first to say some of those suggestions came from those who were perfectly sincere and troubled, as all of us are, by the projected size of the federal deficit. But some of these suggestions also come from professional insiders who have a vested interest in large bureaucracies and who think they're protecting a political constituency by keeping it helplessly and permanently dependent on government.

None of this really surprised us. We knew when we came here that Washington was a company town -- its real business: Government, big government. That, of course, is true of any capital city. And that's why we didn't think the cure for what ails us can come from those who think the way to solve our deficit problem is by eliminating tax incentives.

As I mentioned in my State of the Union address, tax revenues more than doubled since 1976 -- yet in that same period our country ran up the largest series of deficits in its history. Tax revenues increased by \$54 billion in 1980 and the deficit was \$60 billion.

Secretary of the Treasury, Don Regan, put it very well the other day when he said: "Raising taxes does not balance budgets; raising taxes makes spending easier. Tax increases simply give

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the federal government more to spend on federal programs that create constituencies who then require even greater spending."

I believe in a speech to your organization some years ago I said: "Government doesn't tax to get the money it needs -- government always finds a need for the money it gets."

Increasing taxes only encourages government to continue its irresponsible spending habits. We can lecture it about extravagance until we're blue in the face or we can discipline it by cutting its allowance.

Let me be honest with you, however, and tell you I've been a little disappointed lately with some in the business community who have forgotten that feeding more dollars to government is like feeding a stray pup. It just follows you home and sits on your doorstep asking for more.

This Nation has serious economic problems, but we are moving forward with a program we believe effectively addresses these problems. It has brought about revolutionary changes of enormous benefit to both individual Americans and to American businessmen.

What we need now is not last-minute haggling or displays of blatant self interest -- we need the support that only America's businessmen can give us; we need you to participate in our task forces on private sector initiatives and government cost cutting, but most of all we need you to get on with the business of economic recovery, to look for imaginative ways to invest and grow and to provide jobs for the unemployed.

From the very beginning, you in the National Association of Manufacturers have supported this Administration's program -- and when the pressure was turned up a few months ago by those who demand quick fixes and fine tuning, those who got us into the recession in the first place and who now want to deprive working Americans of their tax cuts this July -- you kept the faith. You spoke out in defense of our recovery program. You understood that we can only deal with the problems of deficits and unemployment by putting the brakes on extravagant government once and for all; by cutting taxes and putting more disposable income into the hands of the American worker; by insuring real economic growth that creates jobs, stimulates investment and gives every American a leg up on the economic ladder.

So I've come here today with a simple but heartfelt message from all of us in the Administration: Ladies and gentlemen, thank you -- we're mighty grateful.

And I would be remiss if I did not extend a personal note of thanks to your Chairman, Luke Williams, and your President, Sandy Trowbridge, for their service on our Cost Control and Private Sector Task Forces.

But while I do thank you today, I also want to ask you to continue your invaluable support. Will you take a message home with you from Washington -- a message that doesn't always get to the American people by way of the media or government pronouncements?

It's possible for a sea change to take place in America and not be recognized in Washington until many months later. One Cabinet member in the former Administration put it very well: The toughest job in Washington, he said, is being able to tell the difference between "the tides, the waves, and the ripples."

Actually that's been the problem with the perceptions of many experts, pundits and insiders -- they tend to concentrate so much on the ripples they can't see the waves and the tides.

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One example: A few of us here can recall a much grimmer month of March. No, not the one that saw Julius Ceasar done in. It was 1943; the Allies were losing the battle of the Atlantic, the only event Churchill said that ever really frightened him during the war.

In that terrible month, more than 500,000 tons of Allied shipping went down, thousands of merchant seamen lost their lives. England was left with only a two-month supply of food and material, and the experts in the British Admiralty seriously doubted that England's lifeline across the Atlantic could be kept open.

But then suddenly -- only a month later -- it all changed: Innovations in the convoy system, escort training, radio and radar use and long-range aircraft that had been accumulating for months were finally brought to bear. The "U" boat wolf packs sustained enormous losses. Two months later Hitler's admirals were conceding defeat in the Atlantic, and by June, Allied convoys crossed the ocean without the loss of a single ship.

Or think back to the economic situation in this country shortly after the war. In 1946, inflation and unemployment were climbing and our Gross National Product dropped by an alarming 15 percent. Once again, many of the experts only looked at the narrow data; they predicted a return of the depression and advised the reinstitution of wartime economic controls.

Once again, the experts had underestimated the ingenuity and energy of the American people. By 1947, the Gross National Product held steady and then increased by four percent. Unemployment began a steady decline, and in 1949 consumer prices actually went down. America was on its way to an era of unequalled prosperity.

More recently, we heard all those predictions about the energy crisis -- disaster was just over the horizon -- gas was going to cost \$2 a gallon, oil reserves would dry up, the western economy would be held hostage by OPEC or stangled by the exorbitant cost of oil.

Today, the oil shortage is an oil glut. You can purchase gas in some places at \$1.10 a gallon and it is OPEC, not the West, that is feeling the financial pinch.

Maybe we've forgotten some things about ourselves: Forgotten that on a quiet Sunday morning we were plunged into a war for which we were almost totally unprepared.

But in the 44 months of that war, American industry produced 210,000 aircraft, 900,000 military trucks, about 400,000 cannons, more than 1,100 warships and thousands of merchant ships, 88,000 tanks and 12 million rifles and carbines.

We did what had to be done. We're in a different situation now, but just as grim, and I believe we can rally again.

Recently we've seen some changes -- ripples are becoming waves that will soon be tides -- changes that augur well for the future even if they haven't quite gotten all the attention that they deserve.

Inflation is a problem that throughout history has brought many nations and empires to their knees. Only a year ago, it was the source of the gravest concern to everyone in Washington. It's finally coming down -- and coming down substantially. We ended 1981 with a Consumer Price Index of 8.9 percent -- 3½ percent below that of 1980. That meant that on every dollar earned, 3½ cents less was eaten up by inflation. This meant something to the poor

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and the elderly especially -- a family on a fixed income of \$8,500 has \$255 more in purchasing power today because of the decline in inflation than it otherwise would have.

But the encouraging signs continue. Since the beginning of the fiscal year in October, inflation has averaged less than 5 percent. The rate for January stood at only 3.5 percent. And, last month, for the first time in six years, the Producer Price Index actually declined.

There's also been a quiet, steady, but important improvement in the rate of growth of personal savings, a rate that had been declining at alarming margins before we came into office. In the first quarter of 1981, the growth in the savings rate stood at 4.6 percent -- by the fourth quarter, that figure was up to 6.1 percent.

I think as businessmen you know how important savings are to the investment and loan picture -- it's a picture that must improve (and is improving) if we are going to have dramatic economic growth.

And there's one other important point about this growth in personal savings -- its relationship to the size of the federal deficit. The fear has often been voiced that the increase in the deficit will force government to crowd out other borrowers in the money markets and boost up interest rates, and so it has over these past years and decades.

But looking ahead, federal borrowing in 1983 and 1984 will be several times less than the total private savings resulting from our tax cuts. We expect \$260 billion more in private savings in 1984 than in 1981. So you can see the private savings will far outweigh the projected increases in the deficit. Private borrowers aren't going to be crowded out -- they're going to find more credit available precisely because of the tax-cut program we've already enacted.

Even more important, by one crucial standard we will actually be making progress in the battle against deficit spending in the years ahead. With normal projected growth in the next few years, the federal deficit will account for only 1.7 percent of the Gross National Product -- that will be a considerable improvement. For example, the percent of the Gross National Product that was consumed by the deficit in 1976 was more than double that -- 4 percent.

What I am saying is that the decline in inflation and the increase in personal savings are two early signs of recovery -- signs that have strong implications for the future. This is going to help us control our deficits and trigger the increase in business investment and credit markets we all want to see.

I think there are other positive developments that are slowly taking place today in government and in the economy -- developments that result from the sweeping but subtle changes we've brought about in the last year. For example, the changes we have recently seen in industrial production and housing starts support our assertion that we are on the verge of a turning point in the economy.

Then there is the problem of government regulation. In the last year, we've cut the number of new pages in the Federal Register, where the regulations are published, by 23,000 pages -- or as George Bush likes to say -- we're trying to get the Register down from the size of a copy of "War and Peace" to that of an issue of the Atlantic Monthly. (I've been trying to get him to say National Review.) I think you as businessmen know what this regulatory cutback is eventually going to mean to you in savings from

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paperwork litigation and labor. One Ohio businessman wrote to us in this spirit and mentioned his personal frustrations with burdensome regulations. He cited an item from the Toledo area Small Business Association bulletin. Actually, it was something I'd first seen a number of years ago.

"...It is reported to us," the item said, "that the Lord's Prayer contains 57 words. Lincoln's Gettysburg Address has 266 words. The Ten Commandments are presented in just 297 words and the Declaration of Independence has only 300 words. An Agriculture Department order setting the price of cabbage has 26,911 words."

Well, I thought you would like to know we have had our researchers working around the clock to find that cabbage regulation -- possibly the story is more folklore than fact.

But whichever, I think this is one case where a bit of folklore can convey a lot of wisdom.

William Freund has said if the Ten Commandments had been published as government regulations and issued on stone, Moses would have come down from Mount Sinai with a sprained back and without the tablets.

Or take the problem of waste and fraud in government -- a problem that will save billions of dollars every year if we can get a handle on it.

Although the voters believe by overwhelming margins that this is one of the most serious problems in government, I noticed that whenever I talked about it in the last campaign the eyes of many in the media glazed and they stopped taking notes. But I've figured out a way to interest the Washington press corps in the waste and fraud story. We'll call a secret meeting in the Oval Office of our Inspectors General, tape-record the proceedings, stamp the transcript "Top Secret," stuff them in a diplomatic pouch and accidentally leave them on Lou Grant's doorstep. A leaked secret they'll always use.

One government agency, the General Services Administration, we talked about in the campaign had been racked by scandal; it had estimated losses of more than \$160 million due to waste and fraud. GSA is the agency that buys the federal government's supplies and acts as its landlord -- some were calling it the worst-run agency in the government.

It actually had a history of dismissing or demoting whistleblowers who tried to expose the waste and wrongdoing.

To the recent astonishment and praise of everyone from "NBC Magazine" to Paul Harvey, our new Administrator, Jerry Carmen, has actually promoted the whistleblowers and given them new responsibilities.

He's reducing total personnel by 5,000 and GSA space allotments by 20 percent; he's cut delivery time from 41 days to less than seven days and supervised travel managements audits that will produce an estimated savings of more than \$60 million this year.

Jerry Carmen, a common sense, independent businessman from New Hampshire, says it hasn't been easy -- he told journalist Don Lambro about the warehouse with the leaky roof he went to inspect one Saturday early in his tenure at GSA.

"When I got back," he said, "I asked the people in charge, 'wasn't that a pretty poor warehouse?' And they agreed it was." Then he asked, "shouldn't it be closed?" And they said, "yes," and he asked "why don't we?" And they said, "we're going to do a study first." The study was to cost \$500,000.

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So Jerry said; "Do I have the power to close it?" And they said "yes." And he said, "Close it," and they did.

But our campaign against waste and fraud goes far beyond just one federal agency. For the first time, we have the Inspectors General from all the federal agencies working closely together in a Council on Integrity and Efficiency.

One of the most innovative techniques developed by this group is a new computer matching program. We've already found more than \$64 million in Social Security and Black Lung Disability payments that were highly questionable. They were going to people who were dead -- some of them for as much as seven years.

The co-chairmen of this computer matching committee are a story in themselves. One of them is Dick Kusserow, a young F.B.I. agent from Chicago brought here by Secretary Schweiker to be Inspector General at the Department of Health and Human Services. Dick had gained a reputation as one of the Bureau's best experts on "fraud against the government" and organized crime cases.

During his first nine months in office, he has come up with more than \$230 million in estimated savings -- and prosecutions for fraud are already up over last year.

The other co-chairman is Tom McBride, a dedicated prosecutor whose career moved him from the Manhattan District Attorney's office to the Kennedy Justice Department. His audits have found serious fraud and waste in CETA and other Labor Department programs. His recent drive against fraud and abuse in the federal employee disability program brought more than 50 indictments in the last year alone. And, for the first time really, Tom McBride is moving ahead with a program that will employ the rarely-used powers of federal statutes like the Rico Act to fight organized crime infiltration into legitimate unions.

So there they are: A small businessman from New Hampshire, a young F.B.I. agent from Chicago, a dedicated prosecutor who got his start in a Democratic Administration. These are the kind of appointments that have broken the bureaucratic mold in Washington. But, over the long run, these men and others like them are going to make a difference in the cost of government and the kind of government.

This is part of the message I hope you will take away with you this afternoon: That after a little more than a year, this Administration has made important changes in Washington that are going to bring about economic recovery, make government more efficient and responsive and a servant of the people -- not the other way around.

You know for a long time my party has borne the unfair burden of being portrayed as the party of bookkeepers, bankers and the bottom line. But I think Americans are beginning to see us as the party of growth, expansion and opportunity.

But let it be understood that this Administration wants to achieve economic growth by reducing government intrusions in order to expand human freedom, value individual excellence, and make the American dream a reality for all our citizens.

More than a decade ago, I told an N.A.M. audience that the newest generation of Americans "will live longer, with fewer illnesses, learn more, see more of the world and have more success in realizing their personal dreams and ambitions than any other people in any other period of history."

I was pleased the other day to read that one scholar at the Hudson Institute noted that mankind also had undergone enormous changes for the better in the past two centuries -- changes that aren't always so readily noticed or written about:

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"Up until 200 years ago," he wrote, "there were relatively few people in the world. All human societies were poor. Disease and early death dominated most people's lives. People were ignorant, and largely at the mercy of forces of nature. Now we are somewhere near the middle of a process of economic development that will take some 400 years. At the end of that process, almost no one will live in a country as poor as the richest country of the past. There will be many more people, most living long, healthy lives, with immense knowledge and more to learn than anybody has time for, largely able to cope with the forces of nature and almost indifferent to distance."

We do live today, as that scholar suggested, in the middle of one of the most important and dramatic periods in human history -- one in which America can serve as the catalyst for an era of unimagined human freedom and dignity.

I think we are ready to assume that responsibility. "America is a willingness of the heart," Scott Fitzgerald once said. Well, I don't think that willingness is lacking in our country today.

I hope this is the message you will take away with you today. I hope you will tell the people back home that you found such a willingness here in Washington -- that something exciting is going on in the Capital City -- that there is hope here again. Tell them that, for ourselves and for our much-loved country, there are great days ahead.

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